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Message Text

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ACTION EB-06

INFO OCT-01 EUR-12 EA-06 NEA-06 ISO-00 AID-05 CIAE-00

COME-00 FRB-01 INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-01 SIL-01 OMB-01 NSC-05

SS-15 STR-01 CEA-01 L-02 H-01 PRS-01 /080 W
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P R 130700Z NOV 74
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC PRIORITY 9233
INFO AMEMBASSY BEIRUT
AMEMBASSY BONN
AMEMBASSY PARIS
AMEMBASSY BRUSSELS
AMCONSUL DHAHRAN
AMEMBASSY LONDON
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 1 OF 2 JIDDA 6631

E.O. 11652: N/A GDS
TAGS: EFIN, SA, US
SUBJECT: SAMA AFTER ANWAR ALI

BEGIN SUMMARY: MINISTRY OF FINANCE SOURCES CONFIRM IT MAY TAKE SOME TIME BEFORE A NEW FOVERNOR FOR SAMA IS CHOSEN. SAMA MAY EVEN BE BROKEN UP INTO TWO DISTINCT ENTITIES, AN INVESTMENT WING AND AN ORDINARY CENTRAL BANK OPERATION. VARIOUS SAUDI CANDIDATES TO HEAD SAMA ARE TOUTED BUT LIKELIEST POSSIBILITY IS THAT THE KING WILL WAIT AND MAY CONSULT WITH IMF LEADERS AND SAUDI GOVERNOR ZAKI SAAD BEFORE CHOOSING. IT IS NOT IMPOSSIBLE THOUGH UNLIKELY THAT ANOTHER PAKISTANI WILL BE CHOSEN. IT IS MOST PRO-BABLE THAT SAUDIS WILL BE CHOSEN TO HEAD SAMA CENTRAL BANK OPERATIONS AND/OF ANY INVESTMENT INSTITUTION THAT MIGHT BE SPLIT OFF.

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IS THERE A ROLE FOR US IN HELPING SAG AND THE KING

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REACH A DECISION? WE SHOULDONLY DISCUSS THE MATTER WITH IMF AND IBRD SOURCES AND AWAIT A CONCENSUS WITHIN SAG.

END SUMMARY

1. SUDDEN DEATH OF GOVERNOR ANWAR ALI, FOR 15 YEARS A DOMINANT FIGURE IN THE DISPOSAL OF SAUDI ARABIAN OIL INCOME, IS OBVIOUSLY AN IMPORTANT EVENT, NOT UNEXPECTED AFTER TWO PREVIOUS ATTACKS BUT NO REAL SUCCESSOR IS APPARENT. ANWAR ALI WAS RECRUITED FROM THE INTERNATIONAL MONETARY FUND IN 1958, AND PROBABLY BECAME THE MOST SOUGHT AFTER INTERNATIONAL BANKER IN HIS FINAL 18 MONTHS BEFORE HIS DEATH. HIS LONG TENURE WAS BASED ON TWO FACTS: HIS CLOSE PERSONAL RELATIONSHIP WITH KING FAISAL AND HIS ABILITY TO BALANCE PRESSURES FROM THE SAUDI ROYAL FAMILY IN A PERIOD OF MASSIVE GROWTH OF SAUDI FINANCIAL RESOURCES AGAINST THE NEED FOR FUNDS TOMODERNIZE THE KINGDOM'S SOCIAL AND OTHER SERVICES. HE WAS A WORLD-CLASS FINANCIER, HIGHLY CONSERVATIVE IN HIS APPROACH TO PLACEMENT OF SAUDI SURPLUSES, WHICH WERE GROWING AT AN UNPRECIDENTED RATE WHEN HE DIED. IF HE HAD LIVED 18 MONTHS LONGER, HE WOULD HAVE SEEN SAUDI ARABIA BECOME NO. 1 IN FINANCIAL RESERVES IN THE WORLD.

2. THE U.S. PARTICULARLY AND THE WESTERN WORLD IN GENERAL OWE A GREAT DEBT TO ANWAR ALI FOR HIS REFUSAL TO BOW TO ANY PRESSURES TO SWITCH SAUDI ARABIAN FINANCIAL RESOURCES FROM ONE MARKET TO ANOTHER FOR POLITICAL OF OTHER REASONS WITHOUT DUE REGARD FOR MONETARY EFFECTS ON OTHER NATIONS. HIS DISAPPEARANCE FROM THE SCENE WILL NOT CHANGE SAUDI POLICY ON THIS, BUT THE INTERREGNUM BEFORE HIS SUCCESSOR CAN BE FOUND AND INSTALLED MAY CREATE SOME DIFFICULTIES.

3. COMPETITION WITHIN THE SAUDI BUREAUCRACY FOR THE POSITION WILL BE DISCREET AND, ACCORDING TO SOURCES BOTH WITHIN AND WITHOUT SAMA, REVOLVE AROUND THE POSSIBLE BREAKUP OF SAMA INTO TWO DIVISIONS: THE CENTRAL BANKING OPERATIONAND AN INVESTMENT INSTITUTION OR AGENCY PROBABLY SITED IN RIYADH. THE COMPTROLLER OF FOREIGN EXCHANGE FOR SAMA AND A LEADING POSSIBLE CONFIDENTIAL

CANDIDATE FOR HEADING ONE OF THESE DIVISIONS, AHMAD ABDUL LATIF, IS VERY UPSET AT THE POSSIBILITY OF SUCH A BREAKUP. HE IS KNOWN AS A QUITE AMBITIOUS, HIGHLY COMPETENT FOREIGN EXCHANGE AND INVESTMENT NEOPHYTE WHO IS PROBABLY TOO YOUNG TO SUCCEED TO THE ANWAR ALI POSITION AT THIS TIME. THE LOGICAL CANDIDATE, DEPUTY GOVERNOR KHALIK ALGOSAYBI, HAS NO PREVIOUS FINANCIAL EXPERIENCE, AN AMERICAN "B" SCHOOL DEGREE, AND A

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REPURATION FOR HONEST ADMINISTRATION. THE MOST LIKELY
POSSIBILITY IS THAT HE WILL BE LEFT IN CHARGE UNTIL THE
KING AND HIS ADVISORS WORK OUT THE USUAL SAUDI CONCENSUS
ON WHAT TO DO.

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C O N F I D E N T I A L SECTION 2 OF 2 JIDDA 6631

4. IT IS ALMOST CERTAIN THAT NO EGYPTIAN WILL BE INVITED
TO HEAD THE SAME OPERATION. IT IS UNLIKELY THAT A
EUROPEAN OR AN AMERICAN WILL BE CALLED UPON. THE MOST
LIKELY NATIONALITY IS A PAKISTANI IF A FOREIGNER IS
JUDGED BY THE KING TO BE NECESSARY. SAID
AHMAD, A CENTRAL BANK EXECUTIVE FROM PAKISTAN WHO WAS AT
ONE TIME CONSIDERED FOR THE CHAIRMANSHIP OF THE ASIAN
DEVLOPMENT BANK, MIGHT BE CHOSEN FOR TECHNICAL EXPERTISE,
BUT HIS LACK OF REAL KNOWLEDGE OF ARABIC AND HIS RELATIVELY
DISTANT POSITION FROM THE KING AND THE DECISION MAKERS WOULD
LOGICALLY RULE AGAINST THAT POSSIBLILTY. AMONG OTHER
RUMOURED SAUDI CANDIDATES IS WAHIB BIN ZAGR,
A BUSINESSMAN. HE CLAIMS NO INTEREST IN THE JOB.

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5. COL. AHMED MALEK, WHO IS THE TOP CONTRACTING OFFICER WORKING WITH THE CORPS OF ENGINEERS, IS ANOTHER POTENTIAL CANDIDATE. MALEK IS WITHOUT
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QUESTION THE BEST TRAINED SAUDI IN CLASSICAL FINANCIAL STUDIES. HE HAS A PH.D. IN ECONOMICS FROM THE UNIVERSITY OF INDIANA AND HE HAS CONTINUED TO WORK ON AND STUDY THE SUBJECT OF INTERNATIONAL MONETARY AFFAIRS. HE SPEAKS FRENCH AND HAS WRITTEN SEVERAL PAPERS ON INVESTMENT STRATEGIES FOR THE SAUD GOVERNMENT. LAST YEAR HE CLAIMED THAT HE WOULD INDEED BECOME THE NEXT GOVERNOR OF SAMA AFTER THE EXPECTED RETIRMENT OF ANWAR ALI. PRINCE SULTAN OF MODA DEPENDS ON HIM A GREAT DEAL, HOWEVER, AND IT MAY BE THAT BECAUSE OF HIS AGE, LACK OF STRONG FAMILY CONNECTION, AND IMPORTANCE OF HIS PPRESENT JOB THAT HE MAY NOT YET EMERGE AS THE DIRECTOR OF SAUDI FINANCIAL AFFAIRS.

6. THE QUESTION MIGHT BE ASKED IF THE U.S. OR OTHER WESTERN POWERS SHOULD BE PREPARED TO OFFER FREE ADVICE AND A RATIONAL PLAN FOR REORGANIZING SAMA AND PERHAPS EVEN THE MINISTRY OF FINANCE? DURING THE VISITI OF PRINCE FAHD TO THE U.S., AND SINCE THEN ON MORE THAN ONE OCCASION, SAG HAS MADE CLEAR THAT IT DOES NOT RPT NOT DE-SIRE THE U.S.-SAUDI ECONOMIC COMMISSION TO ENTER INTO DISCUSSION OF THE SAUDI FINANCIAL SITUATIION EVEN THOUGH DURING THE VISIT OF SECRETARY SIMON IN JULY PRIVATE DIS-CUSSIONS WERE HELD ON SPECIFIC INVESTMENTS SAG MIGHT NAKE. SAUDI SENSITIVITIES ON RECEIVING ADVICE FROM THE U.S. OR FROM THE WEST IN THE FIELD OF FINANCE ARE TOO WELL KNOWN TO BE ELABORATED HERE. HOWEVER, IT IS AN OBVIOUS MATTER OF GREAT IMPORTANCE TO THE U.S. AND TO THE WESTERN FINANCIAL WORLD THAT SAUD ARABIA NOT HAVE ANY INTERRUP-TION IN ITS DEVELOPMENT OF ADEQUATE FINANCIAL INSTITU-TIONS TO TAKE CARE OF GROWING SURPLUSES. IN THIS SITUA-TION AND TAKING INTO ACCOUNT SAUDI SENSITIVITIES, THE EMBASSY SUGGESTS THAT DISCUSSIONS BE HELD AT A VERY DISCRETE LEVEL WITH INTERNATIONAL MONETARY FUND SOURCES AND IBRD OFFICIALS, INCLUDING JOHN GUNTER OF THE IMF.

7. THE EMBASSY WILL BE REPORTING FURTHER ON THE REPLACEMENT OF ANWAR ALI, BUT THE SEARCH FOR A CONSENSUS MAY TAKE SEVERAL WEEKS OR MONTHS.
AKINS

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